

Message Text

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ORIGIN EA-14

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TO AMEMBASSY SAIGON PRIORITY

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E.O. 11652: NA

SUBJECT: ICCS FINANCES: AIR AMERICA PLANS FOR TERMINATION
OF SERVICES

THERE FOLLOWS TEXT OF SEPTEMBER 18 LETTER TO EA DEPUTY
ASSISTANT SECRETARY FROM AIR AMERICA PRESIDENT GRUNDY IN
WHICH GRUNDY INFORMS US THAT AIR AMERICA WILL TERMINATE
SERVICES FOR ICCS ON SEPTEMBER 30 UNLESS ICCS DEBTS OF AP-
PROXIMATELY 2 MILLION DOLLARS SETTLED BY THAT DATE.

BEGIN TEXT:

DEAR SIR:

AS YOU MAY KNOW, IT WAS WITH SOME RELUCTANCE THAT AIR
AMERICA AT THE DEPARTMENT'S REQUEST AGREED TO CONTINUE FLY-
ING SERVICES IN SUPPORT OF THE INTERNATIONAL COMMISSION
CONTROL AND SUPERVISION (ICCS) IN VIETNAM IN MARCH OF THIS
YEAR. PART OF THIS RELUCTANCE STEMMED FROM THE DIFFICULTIES
WE HAD EXPERIENCED IN THE PREVIOUS YEAR IN OBTAINING PAY-
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MENT FOR SERVICES RENDERED UNDER THE ICCS CONTRACT. A

SECOND FACTOR WAS THAT THE COMPANY HAD MADE THE DECISION TO WITHDRAW FROM ALL CONTRACTS IN THE FAR EAST DURING THE NEXT YEAR. IN THE END, HOWEVER, WE DID ACCEPT A FURTHER CONTRACT IN SUPPORT OF THE ICCS ON THE BASIS THAT WE HAD THE PROVEN CAPABILITY TO PERFORM THE SERVICES AND WE KNEW

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CONTINUATION OF THIS SERVICE WAS IN THE POLICY INTEREST OF THE U. S. GOVERNMENT.

OUR EXPERIENCE IN RECEIVING PAYMENT FOR SERVICES RENDERED SINCE THE EFFECTIVE DATE OF OUR NEW CONTRACT ON 1 MARCH 1974 HAS BEEN EXTREMELY DISAPPOINTING AND A MATTER OF GRAVE CONCERN TO OUR COMPANY. AT THIS POINT IN TIME WHEN OUR COMPANY IS UNDERGOING RETRENCHMENT, WE ARE CONCERNED BOTH WITH THE DELINQUENCY IN PAYMENTS RECEIVED, AND THE IMPACT OF THESE ARREARS IN MEETING OUR CASH REQUIREMENTS. UNLESS ADDITIONAL PAYMENTS ARE RECEIVED PRIOR TO 30 SEPTEMBER 1974, OUR PROJECTED ESTIMATE OF THE INDEBTEDNESS OF THE ICCS FOR SERVICES PERFORMED BY AIR AMERICA TO THAT DATE WILL APPROXIMATE 2 MILLION DOLLARS. OUR CORPORATION HAS HAD A LONG HISTORY OF PROVIDING SATISFACTORY SERVICES IN SUPPORT OF U. S. GOVERNMENT PROGRAMS IN THE FAR EAST AND IT IS CONTRARY TO OUR BASIC CORPORATE OBJECTIVES TO CONTINUE SERVICES UNDER A CONTRACT WHEREIN PAYMENT FOR SERVICES RENDERED IS A CONTINUING AND MAJOR PROBLEM. IT IS FOR THESE REASONS THAT I HAVE BEEN ADVISED BY THE CORPORATE BOARD OF DIRECTORS THAT I MUST SERVE NOTICE THAT I HAVE NO ALTERNATIVE BUT TO DIRECT THAT SERVICES UNDER THE ICCS CONTRACT CEASE UNLESS PAYMENT FOR THE ICCS CONTRACT IS MADE CURRENT AS OF 30 SEPTEMBER 1974 OR UNLESS AIR AMERICA RECEIVES AN ACCEPTABLE GUARANTEE FROM AN AUTHORIZED U. S. GOVERNMENT CONTRACTING OFFICER THAT PAYMENT FOR THESE SERVICES WILL BE FORTHCOMING IN THE EVENT ICCS DOES NOT MEET ITS PAYMENTS DIRECTLY. OUR REQUEST FOR THIS GUARANTEE IS NOT LIMITED TO PAYMENTS CURRENTLY IN ARREARS, BUT EXTENDS TO SERVICES THAT WILL BE PERFORMED FOR THE REMAINING CONTRACT PERIOD.

IN OUR PREVIOUS DISCUSSIONS ON THIS SUBJECT, YOU HAVE INDICATED THAT CONTINUING FLYING SERVICES FOR THE ICCS IS LIMITED OFFICIAL USE

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IN THE POLICY INTEREST OF THE U. S. GOVERNMENT. I HAVE CONVEYED THIS FACT TO THE BOARD OF DIRECTORS WHO HAVE EXPRESSED AN APPRECIATION OF THIS FACTOR BUT THEY HAVE MADE IT CLEAR THAT IT IS OUR CORPORATE POLICY OF INSURING THAT WE CONDUCT OUR CONTRACTUAL ACTIVITIES ON A BUSINESSLIKE BASIS. THE BOARD OF DIRECTORS HAVE INSTRUCTED ME THAT UNDER NO CIRCUMSTANCES CAN CORPORATE FUNDS BE UTILIZED TO SUPPORT THE ICCS.

I HAVE PREVIOUSLY ADVISED THAT WE WOULD INFORM YOU PRIOR TO ANY DECISION TO TERMINATE FLYING SERVICES FOR THE ICCS. I REGRET THAT I NOW HAVE TO ADVISE YOU THAT I WILL SEND A TELEGRAM ON FRIDAY, 20 SEPTEMBER 1974, TO MY VICE PRESIDENT FOR VIETNAM OPERATIONS, MR. VAR M. GREEN, THAT HE IS TO PROMPTLY NOTIFY THE ICCS THAT AIR AMERICA WILL TERMINATE FLYING AND OTHER SERVICES AT THE CLOSE OF BUSINESS ON 30 SEPTEMBER 1974 UNLESS PAYMENT FOR PAST SERVICES IS RECEIVED FROM THE ICCS PRIOR TO THAT TIME.

IT WILL BE NECESSARY, OF COURSE, THAT PREPARATIONS FOR SUCH TERMINATION BE INITIATED BY OUR COMPANY IN VIETNAM NOT LATER THAN WEDNESDAY, 25 SEPTEMBER 1974 SAIGON TIME. FOR REASONS I FEEL SURE THAT YOU WILL UNDERSTAND IT WOULD BE ADVISABLE THAT PAYMENT OR GUARANTEE ACTIONS PROPOSED ABOVE BE TAKEN BEFORE THIS TIME, IF THE TRIGGERING OF A PROBABLE AVALANCHE OF EVENTS IS TO BE PRECLUDED. SINCERELY, (S) HUGH L.-GRUNDY, PRESIDENT
END TEXT. KISSINGER

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